

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Cheboygan Area Public Library</b>	County <b>Cheboygan</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/26/05</b>	Date Accountant Report Submitted to State: <b>12/13/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised
2. We are certified public accountants registered to practice in Michigan

We further affirm the following "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980)
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129 91], or P.A. 55 of 1982, as amended [MCL 38 1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129 241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129 95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations	✓		
Reports on individual federal financial assistance programs (program audits)			✓
Single Audit Reports (ASLGU)			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>902 S. Huron Street, PO Box 250</b>		City <b>Cheboygan</b>	State <b>MI</b>
		ZIP <b>49721</b>	
Accountant Signature <i>Christine Enstine, CPA, CGFM</i>			Date <b>12/12/05</b>

**CHEBOYGAN AREA PUBLIC LIBRARY**

**CHEBOYGAN, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2005**

# CHEBOYGAN AREA PUBLIC LIBRARY

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## INDEPENDENT AUDITORS' REPORT

August 26, 2005

To the Library Board of Trustees  
Cheboygan Area Public Library  
Cheboygan, Michigan

We have audited the accompanying financial statements of each major fund of the ***Cheboygan Area Public Library*** (the "Library") as of and for the year ended June 30, 2005, which collectively comprise a portion of the Library's basic financial statements required by accounting principles generally accepted in the United States of America, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the ***Cheboygan Area Public Library***, as of June 30, 2005, or the changes in its financial position, for the year then ended.

The Library has not presented a Management's Discussion and Analysis (MD&A) as required supplementary information that the *Governmental Accounting Standards Board* has determined is necessary to supplement, although not required to be, a part of the basic financial statements.

# CHEBOYGAN AREA PUBLIC LIBRARY

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

ASSETS	General	Capital Campaign Building Fund	Debt Reduction Fund	Total Governmental Funds
Cash and cash equivalents	\$ 175,210	\$ 2,650,102	\$ 68,624	\$ 2,893,936
Designated cash	739,514	-	-	739,514
Due from other funds	-	-	23,359	23,359
Due from other governmental units	105,191	-	-	105,191
Restricted cash	-	272,794	-	272,794
<b>Total assets</b>	<b><u>\$ 1,019,915</u></b>	<b><u>\$ 2,922,896</u></b>	<b><u>\$ 91,983</u></b>	<b><u>\$ 4,034,794</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,327	\$ -	\$ -	\$ 4,327
Salaries payable and related expenses	10,654	-	-	10,654
Due to other funds	23,359	-	-	23,359
Endowments	7,642	-	-	7,642
<b>Total liabilities</b>	<b><u>45,982</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>45,982</u></b>
<b>Fund balances</b>				
Reserved				
Building expansion	-	272,794	-	272,794
Debt service	-	-	91,983	91,983
Unreserved				
Designated for contingency	350,000	-	-	350,000
Designated for library improvements	389,514	-	-	389,514
Undesignated	234,419	2,650,102	-	2,884,521
<b>Total fund balances</b>	<b><u>973,933</u></b>	<b><u>2,922,896</u></b>	<b><u>91,983</u></b>	<b><u>3,988,812</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,019,915</u></b>	<b><u>\$ 2,922,896</u></b>	<b><u>\$ 91,983</u></b>	<b><u>\$ 4,034,794</u></b>

The accompanying notes are an integral part of these financial statements.

# CHEBOYGAN AREA PUBLIC LIBRARY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED JUNE 30, 2005**

	General	Capital Campaign Building Fund	Debt Reduction Fund	Total Governmental Funds
<b>Revenues</b>				
Current property taxes	\$ 290,448	\$ -	\$ 150,046	\$ 440,494
Penal fines	105,191	-	-	105,191
State grants	6,377	-	-	6,377
Book fines	3,553	-	-	3,553
Contributions	-	42,104	-	42,104
Interest earned	13,023	20,744	8,944	42,711
Miscellaneous revenue	12,161	1,000	-	13,161
<b>Total revenues</b>	<b>430,753</b>	<b>63,848</b>	<b>158,990</b>	<b>653,591</b>
<b>Expenditures</b>				
Salaries	174,864	-	-	174,864
Payroll taxes and fringe benefits	44,770	-	-	44,770
Supplies	9,128	74	-	9,202
Postage	3,654	-	-	3,654
Accounting and professional fees	7,175	-	-	7,175
Telephone	2,668	-	-	2,668
Public services	2,792	-	-	2,792
Insurance	8,212	-	-	8,212
Utilities	7,675	-	-	7,675
Repairs and maintenance	14,589	-	-	14,589
Capital outlay	4,218	183,688	-	187,906
Books and binding	41,130	-	-	41,130
Periodicals	6,194	-	-	6,194
Audio and video	11,674	-	-	11,674
Membership dues	7,484	-	-	7,484
Travel and workshops	3,547	-	-	3,547
Advertising	639	-	-	639
Miscellaneous expense	2,264	12,752	84	15,100
Library improvements - designated cash expenditures	29,075	-	-	29,075
Debt service				
Interest	-	-	66,923	66,923
<b>Total expenditures</b>	<b>381,752</b>	<b>196,514</b>	<b>67,007</b>	<b>645,273</b>
<b>Other financing sources (uses)</b>				
Bond proceeds	-	2,875,000	-	2,875,000
Bond issuance costs	-	(28,384)	-	(28,384)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,846,616</b>	<b>-</b>	<b>2,846,616</b>
<b>Net change in fund balances</b>	<b>49,001</b>	<b>2,713,950</b>	<b>91,983</b>	<b>2,854,934</b>
Fund balances, beginning of year	924,932	208,946	-	1,133,878
<b>Fund balances, end of year</b>	<b>\$ 973,933</b>	<b>\$ 2,922,896</b>	<b>\$ 91,983</b>	<b>\$ 3,988,812</b>

The accompanying notes are an integral part of these financial statements.

# CHEBOYGAN AREA PUBLIC LIBRARY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Current property taxes	\$ 260,000	\$ 260,000	\$ 290,448	\$ 30,448
Penal fines	95,000	95,000	105,191	10,191
State grants	10,000	10,000	6,377	(3,623)
Book fines	3,000	3,000	3,553	553
Interest earned	4,200	4,200	13,023	8,823
Miscellaneous revenue	3,950	3,950	12,161	8,211
<b>Total revenues</b>	<b>376,150</b>	<b>376,150</b>	<b>430,753</b>	<b>54,603</b>
<b>Expenditures</b>				
Salaries	174,000	174,000	174,864	(864)
Payroll taxes and fringe benefits	44,600	45,833	44,770	1,063
Supplies	9,000	10,300	9,128	1,172
Postage	2,300	3,654	3,654	-
Accounting and professional fees	11,600	11,600	7,175	4,425
Telephone	2,500	2,700	2,668	32
Public services	4,550	4,550	2,792	1,758
Insurance	7,200	8,213	8,212	1
Utilities	9,750	10,287	7,675	2,612
Repairs and maintenance	21,900	18,448	14,589	3,859
Capital outlay	11,700	9,270	4,218	5,052
Books and binding	42,000	42,036	41,130	906
Periodicals	6,350	6,365	6,194	171
Audio and video	11,500	12,709	11,674	1,035
Membership dues	5,475	7,484	7,484	-
Travel and workshops	6,500	5,395	3,547	1,848
Advertising	1,500	1,500	639	861
Miscellaneous expense	8,200	6,250	2,264	3,986
Library improvements - designated cash expenditures	-	29,075	29,075	-
<b>Total expenditures</b>	<b>380,625</b>	<b>409,669</b>	<b>381,752</b>	<b>(27,917)</b>
<b>Net change in fund balance</b>	<b>(4,475)</b>	<b>(33,519)</b>	<b>49,001</b>	<b>82,520</b>
Fund balance, beginning of year	924,932	924,932	924,932	-
<b>Fund balance, end of year</b>	<b>\$ 920,457</b>	<b>\$ 891,413</b>	<b>\$ 973,933</b>	<b>\$ 82,520</b>

The accompanying notes are an integral part of these financial statements.

# **CHEBOYGAN AREA PUBLIC LIBRARY**

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

The Cheboygan Area Public Library (the “Library”) was established under the authority of the District Library Establishment Act, PA 24 of 1989, as amended and the District Library Financing Act, PA 265 of 1988, as amended. The Library is governed by a Board of Trustees appointed by the townships of Aloha, Beaugrand, Benton, Grant and Inverness, the City of Cheboygan and the Cheboygan Area Public Schools. The Library was officially recognized by the Library of Michigan on November 3, 1994. Prior to obtaining district library status, the Library was under the control of the Cheboygan Area Public Schools. For reasons relating to separation and reporting issues, the Library remained under the School’s control until June 30, 1995. On July 1, 1995, the Library received a cash transfer from the School equal to its share of the School’s fund balance.

The service area of the Library encompasses the boundaries of the Cheboygan Area Public Schools’ District, including the City of Cheboygan and surrounding townships, with the exception of Mullett Township.

Funds for the Library are generated primarily from taxes assessed in the Library district and penal fines. A significant reduction in the amounts of these revenues, if this were to occur, may have an effect on the Library’s activities. As a government entity, the Library is not subject to state or federal taxes.

#### **Reporting Entity**

The Library has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists only of the primary government. The criteria for including a component unit include entities for which the government is considered to be financially accountable.

#### **Financial Statements**

Under governmental accounting standards, the Library is required to present government-wide financial statements (i.e., a statement of net assets and a statement of activities), which are to be reported using the economic resources measurement focus and the accrual basis of accounting. The Library has not presented the required government-wide financial statements, as they have not maintained a list of capital assets or depreciated such assets.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.



# CHEBOYGAN AREA PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

The *Capital Campaign Building Fund* is a Capital Project Fund. It accounts for monies raised and expenditures incurred related to the building expansion project.

The *Debt Reduction Fund* accounts for the principal and interest payments on bonds used to finance a construction project of the Library.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use unrestricted resources first, then restricted resources as they are needed.

### **Assets, Liabilities and Equity**

#### ***Deposits***

The Library's cash and cash equivalents consist of demand and savings deposits.

#### ***Capital assets***

Capital assets, which include land, building, furniture and fixtures and books, are not reported in the financial statements. Any outlays for capital assets are recorded as expenditures at the time of their purchase, in the applicable fund financial statements.

# CHEBOYGAN AREA PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### *Long-term obligations*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Long-term obligations are not reported in the financial statements.

### *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### *Risk management*

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for claims relating to employee injuries (workers' compensation) and medical benefits and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The shared risk pool program in which the Library participates operates as a common risk sharing management program for municipalities in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end. Any revisions that alter the total expenditures of the fund must be approved by the Library Board of Trustees.

# CHEBOYGAN AREA PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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The General Fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Library Board of Trustees. A budget is adopted at the activity level for the General Fund.

### **B. Excess of expenditures over appropriations**

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

### **3. DEPOSITS**

*Summary of Deposit Balances.* Following is a reconciliation of deposit balances as of June 30, 2005:

	<b><u>Primary Government</u></b>
Cash and cash equivalents	\$ 2,893,936
Designated cash	739,514
Restricted cash	<u>272,794</u>
<b>Total</b>	<b><u>\$ 3,906,244</u></b>

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial risk. As of year end \$3,640,956 of the City's bank balance of \$3,909,580 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

All of the Library's cash and cash equivalents are considered deposits for disclosure purposes.

# CHEBOYGAN AREA PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### Statutory Authority

Michigan law authorizes the Library to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptance of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Library Board of Trustees is authorized to designate depositories for Library funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

#### 4. INTERFUND RECEIVABLES, PAYABLES

The following balances represent individual fund interfund receivables and payables at June 30, 2005:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Due To/From Other Funds</b>		
General Fund	\$ -	\$ 23,359
Debt Reduction Fund	<u>23,359</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 23,359</u></b>	<b><u>\$ 23,359</u></b>

# CHEBOYGAN AREA PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

The Library reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) transactions are recorded in the accounting system and (2) payments between funds are made.

### 5. LONG-TERM DEBT

A summary of long-term debt and transactions related thereto is as follows for the year ended June 30, 2005:

	<b>Balance July 1, 2004</b>	<b>Additions (Reductions)</b>	<b>Balance June 30, 2005</b>	<b>Due Within 1 Year</b>
2004 General Obligation Unlimited Tax Bonds. Bonds maturing serially to 2023 in annual payments ranging from \$25,000 to \$250,000 and bearing interest at 3.5% to 4.375%.	\$ -	\$2,875,000	\$ -	\$2,875,000
				\$ 25,000

Annual debt service requirements to maturity for the above is as follows:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2006	\$ 25,000	\$ 114,725
2007	50,000	113,850
2008	50,000	112,100
2009	100,000	110,350
2010	100,000	106,850
2011-2015	725,000	466,250
2016-2020	925,000	309,500
2021-2023	<u>900,000</u>	<u>100,863</u>
<b>Total</b>	<b><u>\$ 2,875,000</u></b>	<b><u>\$ 1,434,488</u></b>

Total interest expense for the Library for the year was \$66,923.

# CHEBOYGAN AREA PUBLIC LIBRARY

## NOTES TO FINANCIAL STATEMENTS

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### 6. DEFINED BENEFIT PENSION PLAN

All employees of the Library who were employed prior to the Library's separation from the Cheboygan Public Schools on November 3, 1994 participate in the Michigan Public School Employees Retirement System (MPERS), a cost sharing, multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. Employees hired after November 3, 1994 are not eligible to participate in the System. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. State of Michigan statute assigns the authority to establish and amend benefit provisions to the State Legislature. The Office of Retirement Systems issued a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

#### **Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first 5,000; 3.6% of 5,001 through 15,000; 4.3% of all wages over 15,000. Basic Plan members make no contributions. The Library is required to contribute the full actuarial funding contribution amount to fund pension benefits plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 14.87% of annual covered payroll. The contribution requirements of plan members and the Library are established by State of Michigan statute and may be amended only by action of the State Legislature. The Library's contributions to MPERS for the years ended June 30, 2005, 2004, and 2003 were \$8,759, \$7,666 and \$9,020, respectively, equal to the required contributions for each year.

#### **Other Post-employment Benefits**

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis. Retirees having these coverages contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverages.

# **CHEBOYGAN AREA PUBLIC LIBRARY**

## **NOTES TO FINANCIAL STATEMENTS**

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### **7. OTHER INFORMATION**

#### **A. Commitments**

The Library entered into agreements to expand and renovate the Library on September 10, 2004. Total project costs are estimated to be \$3,375,000; as of June 30, 2005 \$183,688 has been reported as capital outlay for the project. The estimated completion date is April 2006.

#### **B. Property Taxes**

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on July 1 by the municipalities within the Library's service and are due on February 14. Delinquent real taxes are advanced to the Library by the revolving tax fund of Cheboygan County.

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August 26, 2005

To the Library Board of Trustees  
Cheboygan Area Public Library  
Cheboygan, Michigan

Through our role in performing financial statement services for the past several years, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the financial statements of ***Cheboygan Area Public Library*** for the year ended June 30, 2005, we considered the Library's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during the above-mentioned engagement, we became aware of opportunities for strengthening controls and improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated August 26, 2005 on the financial statements of ***Cheboygan Area Public Library***.

We have already discussed these comments with the Director and Bookkeeper, and we would be pleased to discuss them in further detail at your convenience.

If we can be of assistance, we hope you will view us as an integral part of your team.

Best wishes for a successful 2005-2006.

Encl.1



**CHEBOYGAN AREA PUBLIC LIBRARY**  
**COMMENTS AND RECOMMENDATIONS**  
**JUNE 30, 2005**

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**MICHIGAN FINANCE QUALIFYING STATEMENT**

Beginning January 1, 2004, all governmental units subject to the Revised Municipal Finance Act (PA 34 of 2001) must submit their qualifying statement electronically using the Department of Treasury's website. This report is required to be filed with the department within 6 months from the end of your fiscal year.

**ELECTRONICALLY FILING THE FINANCIAL STATEMENTS**

Beginning with the fiscal year ended June 30, 2005, the District must submit their financial statements to the State of Michigan electronically. To do so, the financial statements must be created electronically in an Adobe Acrobat file. This file may also be forwarded to bond counsel for preparation of the SEC continuing disclosures. We will provide an electronic version of the financial statements for your use.

**CONCLUSION**

It has been a pleasure to provide audit services to *Cheboygan Area Public Library*. Management was prepared for the audit, providing us with a reasonably adjusted trial balance and all supporting documents requested. Thank you for providing all requested information.

We appreciate your business! Thank you.